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MEMORANDUM OF MEETING

PARTICIPANTS : Mr. David Laux, NSC
Mr. Ji Chao-zhu, Minister-Counselor, Chinese Embassy, Washington
Mr. James R. Lilley, Director, American Institute in Taipei, Taiwan

DATE and PLACE : June 7, 1983, Laux Residence, 501 Slater Lane, Alexandria, Virginia

SUBJECT : Discussion Between PRC Representative and AIT/Taipei Director

DISTRIBUTION : Assistant Secretary Wolfowitz, EA (only)
Mr. Gaston Sigur, NSC (only)

Introduction:

I ran into Ji at the Metropolitan Club at breakfast on my first day in Washington, D.C., May 25. He was breakfasting with Chris Phillips, NCUSCT. Ji, whom I have known for years, seemed surprised and pleased to run into me. Coincidentally, I had been thinking for sometime of the need for someone from Taiwan to give a realities briefing to a PRC official; so, later, I suggested to Under Secretary Eagleburger that I see Ji. He approved. I then cleared it with Assistant Secretary Wolfowitz and Gaston Sigur of the NSC. I also informed the Vice President. All were for it. The meeting with Ji was actually set up by David Laux. We described it as a private, discreet "unmeeting." In my view, the meeting was well planned and maintained it's confidentiality. It went off without a hitch. Laux told me that Ji wanted the meeting and, in fact, was clearly anxious for it. Ji asked my permission to brief his Ambassador. I said I had expected him to do so but that we had informed no one at a level below Assistant Secretary Wolfowitz.

Contents:

After small talk, Ji initiated a discussion of Taiwan asking for my impression of CCK's status and the succession. I told Ji CCK was physically weak but mentally strong. The recent shift downgrading Wang Sheng, and this was a clear perception in Taiwan, had strengthened the hand of the

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technocrats. The Wang Sheng move had been carefully orchestrated with five other military moves carried out at the same time. There was, however, the exquisite dish of the extension of CCK's half-brother, Chiang Wei-kuo. I commented that the Taiwanese, by and large, supported Wei-kuo. Ji expressed surprise at this. Ji said it was his view that Wang Sheng, after his return from the States, was perhaps not actually weakened but was still available to assume a powerful role if called on. I said this was an interesting analysis but everything we knew indicated his position had been weakened.

I then said I wanted to show Ji three symbols which might capture for him what was happening in Taiwan:

-- The first was a tie clasp - a memorial to Chen Wen-cheng, the man from Carnegie-Mellon who was killed in Taiwan in July, 1981. I said this represented the passion of the Taiwanese and the toughness of the Mainlander-controlled security. Ji asked me if I had gotten this tie clasp publicly and if people knew what it represented. I said it was given to me at a dinner party by oppositionists and everyone knew what it meant, but I did not wear it in Taiwan. Ji said he believed that Wang Sheng had been behind the murder. I said, factually speaking, that Wang Ching-hsu was the head of the Taiwan Garrison Command at the time of Chen's death.

-- I then showed Ji the brochure of the opening of the Johnson and Johnson factory. I told Ji this represented the advancement of Taiwan into techology-intensive industry. I believed it was a superb performance of producing consumer goods at world standards. I said this was the thrust in Taiwan and also the concentration of its most talented people. Ji asked me if the factory was totally owned by the U.S. I said the ownership was shared with the Taiwanese but that the U.S. had a controlling interest.

-- Thirdly, I showed Ji an article in the Asia World, printed in Taiwan, showing Fei Xiao-tong gently touching hands with the Taiwan representative. The article depicted a recent meeting in Hong Kong which was attended by representatives of both the PRC and Taiwan. I said this symbolized a convergence of Taiwan and the PRC which was publicly described and cartooned in the Taiwan press. I then pointed out to Ji other instances where representatives of the PRC and Taiwan had met, including the participation of Chin Hsiao-yi,

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a hard-liner, at a Chicago meeting last year. I also emphasized that the Taiwan decision to include the PRC in women's softball in 1982 was made after much agonizing, but it was made at the highest levels.

Ji then went back to the comment on technology-intensive industry and asked if this would create unemployment in Taiwan. I cited the current figure of over 3 percent unemployment and said this was high but would probably fall as Taiwan came out of the recession of 1982. I also said a certain amount of technological unemployment was inevitable but that Taiwan was determined to pursue this course and I believed that in the long-term it was in Taiwan's interest to do so. I then explained to Ji that much of my work involved the trademark and patent problem. A good deal of our time was dealing with the specifics of Taiwan's counterfeiting of U.S. products. We tried to direct Taiwan into more constructive enterprises, such as using U.S. investment effectively, without damaging our own economy.

I then described to Ji my work to maintain an unofficial entity in Taiwan. I said the three principles of normalization were adhered to -- there were no troops in Taiwan, no diplomatic relations and no defense treaty. We did not fly the U.S. flag, I did not present credentials, I was not confirmed by the Senate, my title was "Director," we processed but did not issue visas, and we attended no national days. I said this was not easy on my staff but we adhered to it. I pointed out to Ji that the Taiwanese were always pushing up against this unofficiality but we worked on a daily basis to maintain our unofficial nature.

I then explained to Ji the constructive forces at work in Taiwan for a free trade zone, off-shore banking, a lower defense budget -- and all of this had implications for the PRC. I then talked of the movement in Shanghai to establish a regional economic zone and that this also had implications for the future; Shanghai's per capita income being much higher than the average in China. I said that earlier, in my days with United Technology, we had been obliged to locate a factory in Sichuan when Shanghai made much more economic sense. Ji said that this was all over now with the departure of Hua Kuo-feng.

I then took the conversation back to trends towards greater contacts and exchanges between the PRC and Taiwan.

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Although Taiwan could publicly reject the "san tong" (three contacts), it's private posture was something else. I told Ji that the Taiwanese press had openly criticized the KMT for its hypocrisy in this respect. On the one hand the KMT was against trade, contact and communications. On the other, it benefitted from huge indirect trade, frequent trips to the PRC and kept in regular touch with relatives there. I then talked to Ji of the recent developments in agriculture involving the AVRDC in Taiwan and said that I was interested that our mutual friend, Han Xu, had been involved with Dr. Tso and Judy Poon in Beijing while I had seen them in Taipei. This involved contacts between agriculturalists in Taiwan and the PRC which included the KMT Secretary-General and the Vice Minister of Agriculture in the PRC. I then went into the prospects for indirect trade which had quintupled in the last two years. Although it had recently decreased, this was largely due to economic reasons in the PRC.

I told Ji that Americans who meddled in the process of reunification, or who prematurely sought to accelerate it, sometimes got burned. I then referred specifically to Ray Cline and Anna Chennault. Ji was surprised that Ray could try to function as an intermediary. I suggested that he talk to his own security people for the background. I pointed out to Ji that although an evolutionary process was in motion leading to some convergence between the PRC and Taiwan, the situation in Taiwan was fragile. If it was pushed too hard, the Taiwanese, who were naturally suspicious, provincial and pragmatic, could react strongly. I said a quick look at violence in the history of Taiwan would support this, and cited uprisings against the Ching dynasty (the Lin Shuang-wen rebellion), the Japanese, and the Chinese Nationalists in 1947. I then gave Ji a brief rundown of Taiwan's history pointing out that the Taiwanese historically were pirates and fighters and advanced in the pioneering spirit.

I then talked briefly of the riots in Kaohsiung in December, 1979. Ji contributed his interpretation that it was the Taiwan independence types who overplayed their hand and gave the KMT an excuse to react strongly. I did not dispute this analysis but pointed out that it was the passion and motives of the riots that were disturbing. I had travelled throughout Taiwan and heard many Taiwanese speak with passion about their relationship with the Mainlanders.

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This passion was not concerned with reunification but the retention of the individuality of the Taiwanese. Ji then told me an anecdote based on his wife's contacts in Taiwan. He said that the Taiwan/Mainlander relationship was more comfortable now, there was more inter-marriage and mutual acceptability. I said that Wei Yung had researched this situation carefully, using polling techniques, and contacted over 8,000 people in Taiwan. His conclusions supported those of Ji's wife but I said that some facts were contrary to these self-serving findings. I said our visa applications were up, green-card holders were proliferating and in our own samplings in Taiwan, the frictions were clearly still there. In this respect I pointed out to Ji that precipitous moves could be destabilizing. On the other hand, I said that anyone reading the Taiwan press would see that there had been a positive evolution in coverage of the Mainland which was reflected both in the news and in editorials. I said a recent returnee to Taiwan, who is an expert on China, had detected a striking evolution in the outspokenness of the Taiwanese and in the media coverage of the Mainland. (Although I did not mention his name, I was referring to Bill Gleysteen's recent report on Taiwan.)

Ji then gave me a line which he repeated several times. It was his tape. He said that U.S. arms sales to Taiwan would be disruptive to U.S.-PRC relations. Ji, himself, was for a stable Taiwan and insisted that the PRC was no threat to Taiwan. Fukien, he said, had been converted to commercial objectives so why were U.S. arms sales needed? They should be stopped as soon as possible. I said that Ji needed to understand the structure of Taiwan or, in his terminology, the masses. I said it was ironic that myself, an American, should be lecturing a communist (Ji) on the importance of the masses. I pointed out a careful balance existed in Taiwan which could be destroyed by any precipitous moves. The military and security forces were part of the balance and they should not be undercut in any drastic way. I pointed out that there were always Taiwanese extremists who would benefit by drastic change. Some of these extremists were in the U.S. and they should be dealt with carefully. I pointed out specifically the case of Hsu Hsin-liang. (Comment: I thought that Ji looked a little bit embarrassed at this point. There are indications that the PRC may be trying to reach Hsu.)

Ji then said that the PRC wanted good relations with the U.S., but these would be disrupted by a continuation of

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arms sales to Taiwan. People on both sides of the Straits were Chinese and they could work things out. China should be reunified. All Chinese had in their hearts the desire to return to their homeland to be with their families. Ji then added that I should not get him wrong -- he was an optimist. He was confident that things would work out all around.

I said I was an optimist too but skill and patience were required. Again I said, imagine me, a Westerner, counseling a Chinese on the value of patience. I was also optimistic that eventually the Chinese could work things out among themselves.

I then cited Premier Sun's speech of June 10, 1982 on natural convergence, given sufficient time. Ji said he had also noted Sun's speech and that Sun had said unpleasant things about the PRC. I said that in my view the contents were relatively mild and quite constructive. I pointed out that later Sun had had to retreat somewhat under pressure from the hard-liners, and we all knew about hard-liners. I asked Ji if there were an equivalent to Senator Goldwater in the PRC. He commented that perhaps these existed at the medium-level but that high-level types had disappeared with the death of Lin Piao in 1971.

Ji then asked me about Fred Chien, using his Chinese name, Chien Fu. I first said Chien was a Yalie. Ji commented, "we all make mistakes." (Comment: Earlier I had chided Ji on going to a Harvard reunion saying that "nobody was perfect." I was probably getting a well-deserved rejoinder.) I said Chien was bright, aggressive and as far as I knew, had played within the ground rules. Ji asked if Chien had come to the States with the idea that he would become Foreign Minister eventually. I said that one reason Chien had come to the States, a reason which Ji would understand as a Chinese, was to educate his two children.

Ji then asked if Americans had "unmeetings" with CCNAA types such as the "unmeeting" I was having with him right now. I said that seemed logical to me but I deferred to my friends in Washington. Ji then suggested that Chien Fu had directed the anti-U.S. riots during the Christopher visit in December, 1978, after normalization. I said this sounded like Roger Sullivan talk. I commented that Chien, in my view, was an apparatchik and would be an implementer rather than a director.

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Ji speculated when a PRC ambassador could meet with Chien and talk with him -- perhaps the Ambassador after the current one, Zhang Wenjin. I said it would be best to let nature take its course. Ji said he, himself, was ready to see CCNAA people any time but they usually backed off. I told him it was better not to force these matters. My experience was that when Taiwan was pushed too hard openly, it usually backed away. Contacts were, of course, going on but were carried out in a different mode. I then went back to AVRDC as one way to get contacts moving -- where there was a common interest (agriculture) and where there was an appropriate existing mechanism (AVRDC). I commented that KMT Secretary-General, Chiang Yen-shih, a good man, was personally involved in this. Ji seemed unfamiliar with this whole case so I gave him a brief explanation.

I then talked to Ji about Taiwan history, including the short-lived republic in 1895 and the differing views among Taiwanese at that time concerning their association with the Mainland. The literati under Liu Yung-fu saw Taiwan linked to China but there were others who differed, sometimes violently. I then moved to the current scene and said that pragmatism was always evident among Chinese and a good many were getting U.S. green cards, as I had pointed out earlier. This included a number of the ruling aristocracy. There were now some brilliant green-card holders who were returning to Taiwan and who were doing constructive things for the island. This included experienced managers and technicians who had created some of the most successful companies at the Hsin Chu Science and Industrial Park. Ji said he had heard that the percentage of Taiwanese students not returning was very high. I said the estimates I had were as high as 80 percent but the statistical base was weak.

Ji then repeated that arms sales to Taiwan should be stopped. He pointed out the deep feelings of the Chinese in the Mainland on Taiwan. I answered him that I understood these PRC feelings well and reminded him that he and I had had a long discussion during the Bush visit to China in August, 1980, when I had had a first-hand experience of their strong feelings from Deng Xiaoping himself. Ji then referred to our long conversation in December, 1980, during the transition period. At that time I had given Ji, Zhang Zai and Han Xu a detailed account of the domestic feelings in the U.S. about Taiwan. Ji said that was one of our most constructive sessions. I said to him it was one of the best Chinese meals I had had. We then went back into history and I told

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him of Li Hung-chang, who ceded Taiwan to Japan in 1895 at Shimonoseki. The reaction in China, at that time, had been very strong against Li and he probably would have been hanged if not protected by the crumbling Ching dynasty. Ji said that Li was simply a traitor. I then said that Li, in one of his memoirs, had written Formosa off as a good riddance because it was populated by a band of pirates. Although Taiwan still had pirates who were currently employed in counterfeiting foreign goods, it still had made considerable economic progress and that the military support was part of its stability and confidence. I pointed out that constructive moves were underway to reduce military expenditures and to look outward economically. Still, Taiwanese did not see the PRC in a benign light. History had told them a good deal about the Mainland. They were cautious and it behooved others to be cautious also.

I then told Ji of Taiwan's problems in modernization, which included a growing crime rate. Taiwan had to be competitive against the other newly-industrialized countries like South Korea and Singapore. My feeling was -- let this evolutionary process work.

Ji then said since there were Taiwanese who wanted to cut the military budget and also open Taiwan to the outside world, we should then cut off arms sales. Ji then added that a peaceful solution could not be linked to reduced arms sales as this was an infringement of Chinese sovereignty. I said this was where we differed but differences among friends were solvable. He agreed and said that this was also his hope.

The meeting ended in a flurry of four character phrases (chen yu). Ji said, "In a long night there were many dreams" (yeh chang meng duo), meaning a lot could happen if the delays were too long. I said my only "dream" phrase was "bai tien zuo meng." Ji said that implied futility -- one who dreamed in the daytime. I quickly said my favorite was "shou ju dai tu" -- a man should not wait foolishly for good things to happen.

Ji asked when he might see me again. I said perhaps during the next football season. He said, "in the winter?" I said, "the football season is in the fall."

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